

PANAMA Jurisdictional Guide



GENERAL INFORMATION

The Republic of Panama is the southernmost country of Central America. Situated on the isthmus connecting North and South America, it is bordered by Costa Rica to the west, Colombia to the southeast, the Caribbean to the north and the Pacific Ocean to the south. The capital is Panama City.

Panama was a Spanish colony until 1821. In 1903, Panama broke an alliance with Colombia and became an independent republic.

Panama maintains the world's largest shipping registry and is better known across the world for its Panama Canal, which has been connecting the Atlantic and Pacific oceans since 1914. The Canal is currently undergoing major expansion that will more than double its present capacity, expected to be completed in 2015 at a cost of US\$5.3 billion.

Revenue from the Canal tolls represents a significant portion of Panama's GDP. Panama has the second largest economy in Central America and it is also the fastest growing economy and the largest per capita consumer in Central America. As an offshore jurisdiction, it is also considered the largest international banking center in the world next to Switzerland.

Moreover, Panama also features the Colón Free Trade Zone, which is the second largest in the world after Hong Kong. Operations and transactions taking place in the Free Trade Zone are subject to a special tax treatment whereby imports from other parts of the world and re-exports to other countries are exempted from any import or export taxes imposed by Panama. Income earned from re-exports is taxed at specially reduced rates.

Panama is considered to be the most stable, sovereign nation in all Central and South America with an excellent government infrastructure adhering to Spanish and Roman law.

COUNTRY INFORMATION

Population	3,662,000
Location	Central America
Language	Spanish & English
Time zone	5 hours behind of GMT
Currency	Balboa (PAB) & United States Dollar (US\$)

CORPORATE INFORMATION

Basic Characteristics

Legal Form	International Business Company (Panama IBC) or Panama Corporation
Legislation	Panama Corporation Law, Law 32,1927 (unchanged up to date)
Language of Legislation & Corporate Documents	Spanish (English Translation optional)
Types of Companies	<ul style="list-style-type: none">• Panama Corporations• Partnerships<ul style="list-style-type: none">- Simple Limited Partnership- Joint Stock Partnership- Limited Liability Company
Required Incorporation Documents	Certified copy of passport and copy of proof of address for beneficial owners and senior officers

COMPANY INFORMATION

Company Name

Language	Any Language (using the Latin alphabet)
Name Suffixes and Abbreviations Required	Corporation/Corp., Incorporated/Inc., Sociedad Anonima/S.A.
Name Restrictions	Names identical or similar to existing corporations, offensive words
Names Requiring Consent or Approval	Bank, Building Society, Savings, Insurance, Assurance, Reinsurance, Fund Management, Investment Fund, Trust Company or their Spanish equivalent

Authorised Shares

Standard Currency	US\$
Standard Authorised Capital for Non-Resident Panama Corporations	US\$10,000 (divided into 100 shares of US\$100 par value each)
Permitted Currencies	Any
Minimum Paid up capital	No minimum
Classes of Shares permitted	Registered shares, shares of no par value, preferred shares, voting or non-voting shares, bearer shares

Directors

Minimum number	Three (physical persons or legal or any combination thereof)
Register of Directors	Yes (to be kept at the registered office)

Local Director Required	No
Location of Meetings	Anywhere
Annual General Meeting Required	No

Shareholders

Minimum Number	One (physical or legal)
Register of Members	Yes (must be maintained at the registered office of the IBC)
Local Required	No
Publicly Accessible Records	Optional filing of Register of Members
Location of Meetings	Anywhere
Annual General Meeting Required	No

Officers

Required	Yes (President, Secretary & Treasurer) – A director can also serve as an officer
Register of Officers	Yes (to be kept at the registered office of the IBC)

Local Requirements & Public Filings

Registered Office /Agent	Yes
Filing of Register of Directors & Officers	Yes
Filing of Register of Shareholders	No (Optional)
Filing of amendments to the Articles of Incorporation	Yes
Filing of changes to the Board of Directors & Officers	Yes

Accounts

Requirement to file Annual Returns	No
Requirement to Submit Annual Audited Accounts	No

Recurring Government Costs

Min. Annual License Fee / Franchise Tax

- US\$ 300

Annual License Fee / Franchise Tax Due Date

- 30th June (1st Semester Co's)
- 31st December (2nd Semester Co's)

Taxation

Income Tax / Profit

Nil (as long as none of the officers of the Panama Corporation are Panama Residents and none of the Corporation's business are conducted in the jurisdiction)

- Tax Free Business Income for all Non Resident Panama Corporations
- No Income, capital gains, inheritance, estate, profit or other tax on income generated outside of Panama
- No Stamp tax or duties
- No Foreign Exchange Controls on Business transactions

PANAMA TRUSTS

General

The first trust law in Panama was adopted in the 1940s and it was based on common law trust. However, in 1984, new provisions on trusts were enacted by Law No. 1 of 5th of January to complement other legal instruments and benefits provided by Panama as a tax haven to the international financial community. This legislation introduced new and modern concepts to update the former trust laws in order to make them more flexible and convenient to foreigners searching for a place to execute a trust overseas.

Key Features & Benefits

Liberty of Bargaining

The trust can contain any lawful clause as the needs of the settlor may require. According to articles 5 and 9 of Law No. 1, the trust may be created for any purpose provided it is not contrary to the law or public policy.

Simple to Execute

The trust shall be created in a private document and the only formality is that the signature of settlor and trustee must be authenticated by a Panamanian Notary, so confidentiality is guaranteed. It is not necessary for the trust to be executed in a public deed or registered public ally unless real property located in Panama is given in trust.

Duration

The trust is not perpetual unless it is so stated by the settlor in the trust. The trust should have its duration expressly stated, and it may be revocable or terminated before it expires if so provided by the settlor in the trust agreement.

Confidentiality

Article 37 of Law No.1 guarantees the confidentiality for the execution of the trust. It provides that the trustee and his representative or employees or any other person involved in the execution of the trust must uphold the secrecy of the operation.

Corporations may be used	Both the settlor and the trustee and/or beneficiary may be either a corporation or an individual.
Separate Estate	Trust assets shall constitute an estate separate from the assets of the trustee. Therefore, they cannot be attached, seized or subjected to any lien as a result of obligations of the trustee. The assets of the trust only answer for liabilities of the trust itself.
Assets Subject to Trust	The trust fund may consist of properties or assets of any kind, present or future. The settlor may increase or add other assets to the trust fund after the execution of the trust.
Applicability of foreign law and jurisdiction	Although the trust is regulated by Panamanian law, the settlor and the trustee may agree that foreign law will be applicable. The trust and the trust fund may be transferred to another jurisdiction as well.
Trusts of other jurisdictions	Trusts created pursuant to foreign law may be governed by Panamanian law provided the trusts are subject to the formalities of the law on trusts.
Trustee	The trustee can be any person, either an individual or a corporation duly authorized by law. Also, the settlor may replace the trustee if so provided in the trust agreement.

Tax Benefits

Consistent with the tax principles already mentioned, Law No.1 states the acts of executing, modifying and terminating a trust as well as transferring, conveying or encumbering trust funds and the income or interest produced by the assets and properties given in trust are exempt from all taxes, contributions, assessments or encumbrances, provided the trust involves the following assets:

The Panama Trust	<ul style="list-style-type: none"> • Properties or assets that are located abroad • Funds not from Panamanian sources or subject to taxes in Panama • Shares of stocks or securities of any kind, issued by corporations whose income is not produced in Panama, even though those shares or securities may be deposited in Panama • Time deposits or savings accounts set aside in Panamanian banks. The previous tax limitation will not be applicable when trust funds are invested in housing projects or the development of industrial parks in Panama, in which case the income earned in those commercial operations will be tax free.
------------------	---

PANAMA FOUNDATIONS

General

The Panama Private Interest Foundation (PPIF) is a type of private foundation formed under the laws of Panama. It is based upon the Liechtenstein "Stiftung" (a family foundation).

Key Features

Foundations are mainly used for philanthropic or estate planning purposes. In terms of the legal structure, a PPIF lies somewhere between an offshore company and an offshore trust.

Functionally, a private foundation differs from an offshore company in that a foundation cannot engage directly in commercial business activity, although it may own investments such as property, stocks, bonds and companies.

The foundation has a founder, protector, beneficiary and council members. There are no owners to a Panama Foundation. A "Letter of Wishes" may be written by the founder to specify how the foundation's assets should be handled following the founder's death.

Filings	<ul style="list-style-type: none"> • The Foundation Charter is filed with the Public Registry and is available for public inspection • The names of the Founder and Foundation Council members are also filed with the Public Registry and are available for public inspection
Administration	<ul style="list-style-type: none"> • Each Foundation is required to have a Registered Agent in Panama at the time of establishment and on an ongoing basis • Administration of a foundation can take place anywhere in the world • The Protector and the Foundation Council can be located outside of Panama
Compliance	<ul style="list-style-type: none"> • The Foundation law expressly makes all foundations subject to the Anti-Money Laundering Regime of Panama • A statutorily imposed confidentiality requirement is imposed on all persons dealing with a foundation

Key Benefits

- Asset Protection - Since the PPIF is not owned by anyone (it has no owners), the assets of the PPIF can't be claimed if the founder, council members, protector or beneficiaries have unpaid debt.
- According to Panama law, the assets of a PPIF are non-freezable. There are some exceptions, but if the money has been in the foundation for over 3 years, it's certainly non-freezable.
- Foundations can be used to help family members financially according to the protector's instructions, and forced heirship rules are specifically excluded.
- It can be used to collect royalties.
- Tax free for income derived outside of Panama. Local bank interest is also tax exempt.

Taxation	<ul style="list-style-type: none"> • Foundations are exempt from all Panama taxes on assets held by the foundation outside of Panama and on all income earned from non- Panamanian sources. • The Foundation pays a license fee of US\$350 on establishment and from the second year an annual license fee of US\$400.
----------	--

July 2014

NOTE:

The information contained in this publication is accurate as at the date of its publication and is not intended to be exhaustive nor a substitute for proper professional advice. Please contact our company for consultation. We look forward to assessing your individual business plans and requirements and recommending the right solution for your unique needs.